

Message Text

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TAGS: FAO, EAGR

SUBJ: INTERNATIONAL FERTILIZER SUPPLY SCHEME

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1. CLEAR VIEWS OF PRESENT DG RE FUTURE OF IFS ARE NOT THE MOST RELEVANT CONSIDERATION AT THIS TIME. VIEWS OF HIS SUCCESSOR MAY WELL HAVE SOME EFFECT ON STAFF WORK FOR NEXT MEETING OF FERTILIZER COMMISSION, BUT IT IS THE COMMISSION AND COUNCIL WHICH MUST MAKE THE DECISION. FAO COUNCIL AT ITS LAST MEETING APPROVED THE RECOMMENDATION OF THE COMMISSION THAT IFS BE CONTINUED AND BE REVIEWED AGAIN AT THE END OF ONE YEAR, AT WHICH TIME ANY FURTHER CONTINUANCE WOULD BE CONSIDERED. US REP AT LAST COMMISSION MEETING MAY HAVE BETTER SENSE OF GOVERNMENT, I.E. MEMBERS, VIEWS, BUT PRESUMABLY A GREAT DEAL WILL DEPEND ON WHETHER MEMBERS BELIEVE THE "RAISON D'ETRE", WILL HAVE CHANGED SUBSTANTIALLY. THE DEMAND/SUPPLY/PRICE CRUNCH AS IT AFFECTS THE MSAS, HAS EASED CONSIDERABLY IN RECENT MONTHS, BUT WHETHER THAT TREND WILL CONTINUE OR REVERSE, AND WHAT EFFECT IT MAY HAVE ON MSA DEMANDS, REMAINS TO BE SEEN. WHETHER U.S. USE OF THE ATTRIBUTION ROUTE WOULD HAVE MUCH EFFECT ON THE ENVIRONMENT OF DECISION ALSO INTRODUCES A JUDGMENTAL FACTOR.

2. WITH RESPECT TO CONTINUANCE OF IFS, THERE ARE DIFFERENCES OF
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VIEW WITHIN FAO. IFS STAFF PRESUMABLY SEES NEED FOR CONTINUANCE,

BUT THE FACT THAT STEINER IS LEAVING AT END SEPTEMBER TO RETURN TO INVESTMENT PROGRAM MAY SUGGEST GROWING WEIGHT OF VIEWS OF SOME OF THE PEOPLE CONCERNED WITH FAO'S MORE NORMAL FERTILIZER ACTIVITIES WHO BELIEVE NEED FOR THE EMERGENCY PROGRAM LARGELY WILL HAVE PASSED AND THAT NON-SUPPLY FEATURES (DATA COLLECTION AND ANALYSIS, REGULAR CONTACTS WITH INDUSTRY, ETC.) SHOULD BE "NORMALIZED."

3. SYMPTOMATIC IS CONTINUED EFFORT BY IFS TO EXPAND SIZE OF PROGRAM, EVEN BY THE ATTRIBUTION ROUTE, WHEREAS OTHERS HAVE SHOWN LITTLE ENTHUSIASM FOR NEW PLEDGES IN CONVERSATIONS WITH AID REPRESENTATIVE. ADDING TO THE CONFUSION: (A) SOME NEW COUNTRIES (SWITZERLAND) ARE PLEDGING AND OTHERS (UK) ARE MAKING NEW PLEDGES. FIGURES NOT FULLY VERIFIED BUT APPARENTLY ABOUT DLR 46 MILLION (UK - 15 MILLION POUNDS STERLING) OF NEW/ADDITIONAL PRODUCT OR MONEY HAS BEEN PLEDGED. PERHAPS AS MUCH AS DLR 30 MILLION OF UNEO MONEY ALSO REMAINS, ALTHOUGH AS THE CRITICS POINT OUT, THE RECIPIENT COUNTRIES MAY CHOOSE TO USE PART OF THAT FOR OTHER THAN FERTILIZERS. BUT (B), ACCORDING TO NETHERLANDS REPRESENTATIVE TO FAO, HIS GOVERNMENT HAS DECIDED TO CONTINUE A PROGRAM BUT TO DEFINE IT AS BILATERAL ASSISTANCE IN COOPERATION WITH FAO/IFS. AS THERE HAVE BEEN NO PARTICULAR DIFFICULTIES OPERATING IN CONTEXT OF A PLEDGE TO IFS, HIS ASSUMPTION IS THAT MAIN MOTIVATION WAS TO AVOID BUILDING UP THE IFS PROGRAM FURTHER, WITH SAME HESITANCY TOWARD EFFECT ON QUESTION OF CONTINUANCE AS REFLECTED REFTEL.

4. UK AND NETHERLANDS PROGRAMS HAVE BEEN GRANTS. EXCEPT FOR PROGRAM FOR ETHIOPIA, HANDLED BY IFS, PROCEDURE ESSENTIALLY WAS A MATTER OF IFS AND DONOR AGREEING ON A PROGRAM; (BASICALLY SELECTION OF COUNTRIES, AMOUNTS AND TYPES FERTILIZER AND EXPECTED DELIVERY SCHEDULE) THEN THE DONOR DELIVERED THE GOODS. IN CASE OF UK THE IFS SUGGESTED 15 COUNTRIES, UK ACCEPTED SEVEN AND ADDED FIVE OTHERS. ONLY DISCORDANT NOTE OF WHICH AID REPRESENTATIVE HAS LEARNED WAS OVER FREIGHT COSTS, WHICH ALSO WOULD BE A PROBLEM FOR U.S. LOAN TERMS WOULD PROVIDE A COMPLICATION, E.G. THERE MIGHT BE COUNTRIES ON U.S. LOAN LIST FOR WHICH IFS WILLING TO PROVIDE ON GRANT BASIS, BUT NOT AN UNSURMOUNTABLE PROBLEM.

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5. FAO WELL AWARE OF POTENTIAL SUBSTANTIAL EXPANSION OF U.S. PROGRAM FOR MSAS IN COMING YEAR. THAT IS ONE OF MAIN FACTORS WHICH GAVE RISE TO THE QUESTION OF WHETHER IT WAS TO OUR ADVANTAGE TO CHANNEL THROUGH ARRANGE ATTRIBUTION TO IFS.

6. IN SUMMARY, THERE APPEARS TO BE NO SUBSTANTIAL DIFFICULTY TO U.S. GOING THE ATTRIBUTION ROUTE IF IT SERVES U.S. INTERESTS TO DO SO. IF IT DOES NOT, WE CAN OPT FOR SAME APPROACH APPARENTLY

TO BE USED BY NETHERLANDS. AS POINTED OUT IN REF B, RELEVANCE
TO OTHER INITIATIVES SUCH AS IFAD SHOULD BE CONSIDERED.VOLPE

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